



**CONGRESSIONAL BUDGET OFFICE
INTERGOVERNMENTAL MANDATES STATEMENT**

March 25, 1998

S. 1805

Fair Minimum Wage Act of 1998

*As introduced and referred to the Senate Committee on Labor and Human Resources
on March 19, 1998*

SUMMARY

S. 1805 would amend the Fair Labor Standards Act of 1938 (FLSA) to increase the minimum wage rate under the act from \$5.15 to \$5.65 per hour on January 1, 1999, and to \$6.15 per hour on January 1, 2000.

INTERGOVERNMENTAL MANDATES CONTAINED IN BILL

S. 1805 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because state, local, and tribal governments would be required to pay a higher minimum wage to employees than they are required to pay under current law.

ESTIMATED DIRECT COSTS OF MANDATES TO STATE, LOCAL, AND TRIBAL GOVERNMENTS

Is the Statutory Threshold (\$50 million in 1996, adjusted annually for inflation) Exceeded?

Yes, beginning in federal fiscal year 1999.

Total Direct Costs of Mandates

| | By Fiscal Year, in Millions of Dollars | | | | |
|--------------|--|------|------|------|------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| Direct Costs | 160 | 500 | 540 | 470 | 420 |

These amounts include the estimated increase in wages and payroll taxes that state, local, and tribal government employers would be required to pay to raise the wage rates of all employees who would otherwise have been paid between \$5.15 and the proposed rate. According to the Bureau of the Census, total state, local, and tribal government payroll exceeded \$450 billion in 1995.

BASIS OF ESTIMATE

Under S. 1805, the minimum wage would increase from \$5.15 to \$5.65 per hour on January 1, 1999, and to \$6.15 on January 1, 2000. The provision of the FLSA permitting employers to pay teenagers \$4.25 per hour during the first 90 consecutive days of employment, as well as other sections providing different rules for certain workers and employers, would not change.

CBO estimated the number of workers whose wages would be affected in January 1999 and subsequent months, the wage rates these workers would receive in the absence of the enactment of the proposal, and the number of hours for which they would be compensated. CBO found that fewer than 10 percent of the affected workers were employed by state, local, or tribal governments.

The estimate was made in two steps. First, CBO used data from the Current Population Survey (CPS) to estimate how much it would have cost employers to comply with the mandate had they been required to do so in early 1998. Second, these estimates were then used to project the costs to employers beginning in January 1999, taking into account the expected decline in the number of workers in the relevant wage range. Limitations of the data and methods are discussed in more detail in the private-sector mandate statement that accompanies this statement.

**APPROPRIATION OR OTHER FEDERAL FINANCIAL ASSISTANCE PROVIDED
IN BILL TO COVER MANDATE COSTS**

None.

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